



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Hails Signing of Katrina Tax Relief Package
Legislation Sends Tax Relief to Millions of Hurricane Victims

(WASHINGTON, D.C.) Today President Bush signed a tax relief package authored by Ranking Member Max Baucus and Chairman Charles Grassley of the Senate Finance Committee. Baucus unveiled the legislation to provide assistance to hurricane victims, and encourage charitable donations with Grassley at a news conference early last week.

A health and welfare package the two senators drafted still awaits further action in the Senate.

“Today an important first step becomes law. But our work is clearly not finished,” Baucus said. “We have health relief still stuck in the Senate that would provide desperately needed health care to those affected by the hurricane. I encourage my colleagues to act quickly so those seeking medical attention can receive it.”

Baucus traveled to the hardest hit regions last Friday with fourteen other Senate leaders to see the damage first hand and plans to introduce more legislation to stimulate the Gulf Region’s economy and help rebuild homes, businesses, and damaged infrastructure.

“The plight of Hurricane Katrina victims demands prompt action,” Baucus said. “The sooner we help those affected by this tragedy, the sooner we will be able to focus rebuilding the region.”

Next week, the Senate Finance Committee will be holding a hearing, “Hurricane Katrina: Community Rebuilding Needs and Effectiveness of Past Tax Proposals”. Baucus promised to revisit some of the provisions of the first Katrina tax package. Massive unemployment, charitable and housing needs will be reexamined Baucus said. 214,000 workers have lost their jobs as a result of Hurricane Katrina.

“As we continue to find more of the facts, we will take another look at expanding the tax relief of our first bill,” Baucus said. “Next week’s hearing will give us a better idea where help is needed the most.”

A short summary of the tax relief bill follows:

SENATE FINANCE COMMITTEE
H.R. 3768, KATRINA TAX RELIEF ACT OF 2005

PROTECTION FOR LOW-INCOME WORKING FAMILIES

- Helps ensure low-income working families don't lose deductions, credits or filing status because of dislocations due to Hurricane Katrina.
- Allows low-income working families the option to use prior year's income for refundable earned income tax credit and child tax credit.

PRESERVING CASH FLOW

- Protects families from being taxed on debt forgiven by commercial lenders.
- Permits taxpayers to access their retirement savings accounts without penalty and allows 3-year averaging and recontribution of withdrawals.

EMPLOYMENT

- Provides a tax credit to employers who hire hurricane victims.
- Provides a tax credit to employers in the disaster zone who continue to pay workers and/or maintain employee health insurance even though the business is shut down.

HOUSING

- Defrays costs incurred by families housing Katrina victims for at least 60 days with a \$500 deduction per victim, capped at \$2,000.
- Encourages home ownership in the disaster area by allowing greater access to below-market interest rate mortgages funded from tax-exempt bonds.
- Allows 5 years to replace tax-free damaged or destroyed property in the disaster area.

CHARITABLE GIVING

- Encourages donations of food to relief organizations by extending the deduction available to producers and sellers of food to all businesses.
- Encourages donations of books to schools impacted by Katrina.
- Relaxes the contribution limits for contributions from corporations and individuals to charitable organizations.
- Increases the mileage rate for calculating charitable contribution mileage deduction for Katrina related activities.
- Reimbursements for charitable mileage up to the standard business mileage rate are not taxable income for Katrina related activities.

TAXPAYER PROTECTION AND ASSISTANCE

- Extends the filing deadlines and waives penalties and interest that would have applied on income, estate and gift, employment and excise taxes for at least six months.

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